

**OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE  
TRADE POLICY STAFF COMMITTEE**

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**CERTAIN STEEL PRODUCTS  
INVESTIGATION NO. TA-201-73**

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**EXCLUSION REQUEST  
ON BEHALF OF  
SUMITOMO METAL INDUSTRIES, LTD. &  
SCOT INDUSTRIES, INC.**

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On behalf of Sumitomo Metal Industries, Ltd. ("SMI") and Scot Industries, Inc. ("Scot"), we request exclusion of certain welded cold-drawn tubing from any import relief ordered by the President in the Section 201 investigation of *Certain Steel Products*. In accordance with the guidelines established by the Office of the United States Trade Representative<sup>1</sup>, we submit the following information in support of our request.

## I. EXECUTIVE SUMMARY

We request exclusion of 9% chrome, 1% molybdenum cold drawn (drawn over a mandrel ("DOM")) tubing used to hold the motor in electric submersible oil pump motors. A significant percentage of the world's crude oil production is lifted from the oil deposit to the surface using downhole electric submersible pumps. SMI is the only producer of this tubing in the world, for which there is no domestically available substitute. SMI sells the product to Scot, which finishes the inside of the tube in the United States before selling it to manufacturers of electric submersible oil pumps. Scot is the sole supplier of the finished tubing to the electric submersible oil pump industry. Because it is necessary for a critical end-use, is not produced in the U.S., and is imported in relatively small quantities, cold-drawn DOM tubing used in electric submersible pumps should be excluded from any import relief ordered by the President.

## II. PRODUCT INFORMATION

### A. Commercial Name of Product and HTS Numbers

1. **Commercial Name:** 9% chrome, 1% molybdenum welded cold drawn (drawn over mandrel ("DOM")) tubing used for electric submersible oil pump motors.<sup>2</sup>

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<sup>1</sup> See 66 Fed. Reg. 54,321, 54,322-23 (Oct. 26, 2001).

<sup>2</sup> This tubing comes under Category 20 (Welded tubular products other than OCTG) of the International Trade Commission's product classification.

**2. HTS Classification: 7306.50.5030.**

**B. Physical Description of Product**

DOM tubing for electric submersible oil pump motors has the following chemical composition:

C ( $\leq 0.15\%$ ), Si (0.25 - 1.00%), Mn (0.30 - 0.60%), P ( $\leq 0.030\%$ ),  
S ( $\leq 0.030\%$ ), Cr (8.00 - 10.00%), Mo (0.90 - 1.10%) (for all  
contents, Min/Max inclusive).

Scot purchases the tubing from SMI with 3.75 - 6.765 inch OD in various lengths.<sup>3</sup>

**C. Basis for Exclusion**

**1. Statutory Basis for Exclusion**

The statutory framework governing Escape Clause investigations requires the President to balance the economic welfare of the country with that of the affected industry in determining appropriate remedial action in response to an affirmative injury finding by the International Trade Commission. Section 203(a) of the Trade Act of 1974 states that, upon receiving the Commission's report, the President shall take "all appropriate and feasible action within his power which the President determines will facilitate efforts by the domestic industry to make a positive adjustment to import competition *and provide greater economic and social benefits than costs.*"<sup>4</sup> Among other things, the President must consider "the short- and long-term economic and social costs of the actions authorized . . . relative to their short- and long-term social benefits and other considerations relative to the position of the domestic industry in the United States

<sup>3</sup> Our pre-hearing injury and remedy exclusion briefs filed with the International Trade Commission, as well as Scot's October 11, 2001 letter to the Commission (*see Exhibit A*), incorrectly state that Scot purchases this tubing with 5 inch OD in 30 foot lengths.

<sup>4</sup> 19 U.S.C. § 2253(a)(1) (emphasis added).

economy.”<sup>5</sup> The President must also consider “other factors related to the national economic interest of the United States, including, but not limited to . . . the effect of the implementation of actions . . . on consumers and on competition in domestic markets.”<sup>6</sup> Ultimately, the cumulative impact of any import restrictions imposed may not “exceed the amount necessary to prevent or remedy the serious injury” found.<sup>7</sup>

Where there is no domestic production of a product consumed in the United States and no domestically available substitute, restricting imports of the product will harm domestic consumers without providing any concomitant benefit to the domestic steel industry. Lack of domestic production is therefore a proper ground for excluding a product from import relief.

## 2. Factual Basis for Exclusion

Cold-drawn DOM tubing used in electric submersible pumps should be excluded from any import relief ordered by the President because it is necessary for a critical end-use, is not produced in the United States, is produced only by SMI and is imported in small quantities.

Chrome/molybdenum tubing is used to manufacture electric submersible pumps. According to one manufacturer of electric submersible oil pumps, Schlumberger REDA Production Systems, over 20% of the world’s crude oil production is lifted from the oil deposit to the surface using downhole electric submersible pumps.<sup>8</sup> Use of these pumps to extract crude oil is expected to grow as an increasing number of mature oil fields are subjected to tertiary recovery techniques. Other U.S. manufacturers of electric submersible oil pumps include Baker Hughes (Centrilift division) and Electric Submersible Pump, which manufacture their pump systems in Oklahoma.

<sup>5</sup> *Id.* § 2253(a)(2)(E).

<sup>6</sup> *Id.* § 2253(a)(2)(F)(ii).

<sup>7</sup> *Id.* § 2253(e)(2).

<sup>8</sup> See Schlumberger REDA Production Systems Home Page at <<[www.lasalle.co.uk](http://www.lasalle.co.uk)>>.

An electric submersible pump system consists of seven basic components: (1) the pump, (2) a gas separator, (3) a sophisticated seal between the pump and motor, (4) the motor, (5) a monitor, (6) an electric power cable, and (7) controls. The motor is assembled inside a tube, the inside of which locates the electric motor laminations and rotor shaft bearings. The tube must be very straight and meet exacting geometric dimensions. The tube cannot be seamless; seamless tubing has a special eccentricity from rotary piercing that disqualifies it for this usage. The required tubing is heat treated, then cold DOM, then heat treated again.

SMI is the only manufacturer of this tubing in the world. As Scot explains in an October 11, 2001 letter (*see* Exhibit A), after purchasing the tubing, it [performs additional work on the inside of the tubing]. The electric motor is assembled inside the finished tube and is then attached to another tube containing the centrifugal pump.

Scot is the only supplier in the world of this finished tubing to the electric submersible pump industry. Scot relies on SMI to supply its tubing for further processing. As Scot explains in its letter, without access to SMI's product, it would not be able to supply its finished product to the electric submersible pump industry.

DOM tubing for electric submersible oil pumps is imported in small quantities relative to total imports of welded tubular products other than OCTG ("Category 20 imports"). In 2000, imports of this tubing represented only [DELETED] of total Category 20 imports. In 1998, which saw the highest level of imports of this DOM tubing during the period of investigation, they represented only [DELETED] of total Category 20 imports.<sup>9</sup>

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<sup>9</sup> Import data for SMI's DOM tubing are reported in Section E *infra*. Total Category 20 imports in 1998 and 2000 were 2,261,472 and 2,627,208 short tons, respectively. *See Certain Steel Products Trade Data* (International Trade Commission DataWeb) accessible at <<[www.dataweb.usitc.gov/scripts/steel.asp](http://www.dataweb.usitc.gov/scripts/steel.asp)>>.

Because the DOM tubing produced by SMI is not manufactured in the United States, is a necessary input for the finished tubing used by the electric submersible pump industry, and is imported in relatively small quantities, it should be excluded from any import relief ordered in this investigation.

**D. Names and Locations of Foreign and Domestic Producers**

1. **Foreign Producers:** SMI (Japan).
2. **Domestic Producers:** None.

**E. Total U.S. Consumption<sup>10</sup>**

*Actual Consumption*

|  | <u>1996</u> | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>Jan-June</u><br><u>2000</u> | <u>Jan-June</u><br><u>2001</u> |
|--|-------------|-------------|-------------|-------------|-------------|--------------------------------|--------------------------------|
| <b>Quantity</b><br><b>(ST)</b>               | [ 70        | 445         | 818         | 201         | 334         | 143                            | 250 ]                          |
| <b>Value</b> <sup>11</sup><br><b>(\$000)</b> | [ 277       | 2,566       | 3,666       | 924         | 1,487       | 646                            | 914 ]                          |

<sup>10</sup> Consumption data (actual and projected) reported in this public version have been summarized by ranging (+/- 10%).

<sup>11</sup> Consumption values reported in this table are estimated customs (entered) values of SMI's product based on export prices (FOB Japan).

*Projected Consumption*<sup>12</sup>

|                  | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|------------------|-------------|-------------|-------------|-------------|-------------|
| Quantity<br>(ST) | [ 410       | 621         | 674         | 602         | 720 ]       |
| Value<br>(\$000) | [ 2,267     | 3,307       | 3,431       | 2,870       | 3,370 ]     |

F. Total U.S. Production

None.

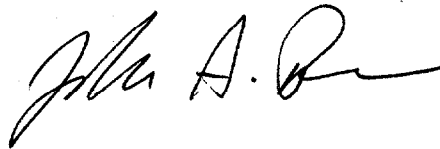
G. U.S. Produced Substitute for Imported Product

None. As Scot explains in its letter, without access to SMI's product, it would not be able to supply its finished product to the electric submersible pump industry.

## III. CONCLUSION

Because there is no domestic production of DOM tubing for electric submersible oil pumps, it should be excluded from any import relief ordered by the President.

Respectfully submitted,



WILMER, CUTLER &amp; PICKERING

Robert C. Cassidy, Jr.  
John D. Greenwald  
Leonard M. Shambon  
John-Alex Romano

Counsel for Sumitomo Metal Industries, Ltd.

<sup>12</sup> Projected consumption quantities reflect Scot's anticipated need for this product. The projected consumption values reflect the unit value (delivered basis) of current shipments of this product.



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## **EXHIBIT A:**

## **CUSTOMER LETTER**

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**SCOT**  
**INDUSTRIES, INC.**

HONING • TUBING  
-- STRAIGHTENING  
HEAT TREATING  
HARDCHROME PLATING  
DEEP HOLE MACHINING  
CHROME ROD

PLANT LOCATIONS:  
Lone Star, TX  
Brookshire, TX  
East Troy, WI  
Muscodia, WI  
Pewaukee, WI  
Seattle, WA  
Sugar Grove, IL  
Talladega, AL  
Wooster, OH

October 11, 2001

Lynn Featherstone  
Director, Office of Investigations  
International Trade Commission  
500 E Street, S.W.  
Room 615  
Washington, D.C. 20436

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Re: **Certain Steel Products (Inv. No. TA-201-73)**

Dear Ms. Featherstone:

Scot Industries, Inc. ("Scot") submits this letter in connection with the above-captioned investigation. This letter describes two important products that Scot purchases from Sumitomo Metal Industries, Ltd.: (1) seamless hot-finished, high-tensile, tight tolerance mechanical tubing, and (2) T9 chrome 1 moly (9% chrome, 1% molybdenum) welded cold-drawn tubing for electric submersible oil-well pumps.

1. Seamless Hot-Finished, High-Tensile, Tight Tolerance Mechanical Tubing

Scot purchases seamless hot-finished, high-tensile, tight tolerance mechanical tubing that is used in hydraulic cylinders from SMI. Scot purchases two proprietary grades of this product -- Sumistrong 60 (a carbon product) and Sumistrong 80 (an alloy product).

Scot buys the Sumistrong 60 for its customers, including [ ] which use the merchandise to [ ]

Sumistrong 60 in [ ] foot lengths, [ ] Scot buys

In Scot's view, there are no U.S. suppliers of comparable merchandise. No U.S. producer makes API 5L line pipe grade X70 in the large OD sizes [ ] Scot needs to meet [ ] requirements and no domestic producer makes line pipe to the OD dimensional tolerance of [ ] and surface finish that Scot and its customers require.

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Scot buys Sumitstrong 80 tubing for use in high pressure hydraulic cylinders. After processing the tubing, Scot sells it to [ ] a manufacturer of mobile cranes who also makes hydraulic cylinders for their cranes. Scot is unable to find any U.S. producer of any comparable merchandise.

2. T9 Chrome 1 Moly (9% Chrome, 1% Molybdenum) Welded Cold-Drawn Tubing for Submersible Oil-Well Pumps

Scot purchases 9% chrome, 1% molybdenum welded cold drawn (drawn over mandrel) tubing used for electric submersible oil-well pump motor housings from SMI. Such chrome/molybdenum tubing is required to manufacture corrosion-resistant, electric submersible oil-well pumps. A significant amount of the world's crude oil production is lifted from the oil deposit to the surface using down-hole electric submersible oil-well pumps.

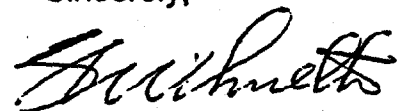
An electric submersible oil-well pump system consists of seven basic components: (1) the pump, (2) a gas separator, (3) a sophisticated seal between the pump and motor, (4) the motor, (5) a monitor, (6) an electric power cable, and (7) controls. The inside surface of the tube locates the electric motor laminations and rotor shaft bearings and must be very straight and must meet exacting geometric dimensions. The tube cannot be seamless; seamless tubing has substantial wall variation, which is within the tolerance, resulting from rotary piercing. The inside of a seamless tube is shaped like an elongated cork-screw. This shape prevents the tube from being made into a useable motor or pump housing. The required tubing is heat treated, then cold-drawn over a mandrel, then heat treated again before being further processed by Scot.

SMI is the only manufacturer of this tubing in the world. Scot buys the tubing from SMI with 5 inch OD in 30 foot lengths. Scot then [ ]

[ ] Scot is the only supplier in the world of this finished tubing to the electric submersible pump industry. The electric motor components are subsequently assembled inside the finished tube and in turn is attached to another tube containing a centrifugal pump.

Scot relies on SMI to supply the above-mentioned products for further processing. Without this source of imports, Scot's ability to supply this finished product to its customers would be eliminated.

Sincerely,



Steven L. Wilmeth,  
President

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cc: Robert B. Zoellick  
United States Trade Representative